

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 519 – HB 549

April 17, 2013

**SUMMARY OF ORIGINAL BILL:** Authorizes individuals to apply for an exemption from workers' compensation law requirements, if the individual is a member of a recognized religious sect or division, and the sect or division is conscientiously opposed to the acceptance of workers' compensation benefits. Authorizes individuals in the construction service industry that do not qualify for the exemption to apply for the Workers' Compensation Exemption Registry, if the individual is a member of a religious sect or division. Requires the applicant to submit a copy of an approved Internal Revenue Service Form 4029 and an affidavit signed by the individual. Effective upon becoming law for purposes of promulgating rules and regulations. For all other purposes, the effective date is January 1, 2014.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$7,500/FY13-14 and Every Two Years Thereafter/  
Employee Misclassification Education and Enforcement Fund

Decrease State Revenue –  
Exceeds \$400/FY13-14/TOSHA  
Exceeds \$2,100/FY13-14/Second Injury Fund  
Exceeds \$2,100/FY13-14/General Fund  
Exceeds \$800/FY14-15 and Subsequent Years/TOSHA  
Exceeds \$4,100/FY14-15 and Subsequent Years/Second Injury Fund  
Exceeds \$4,100/ FY14-15 and Subsequent Years/General Fund

Increase State Expenditures –  
\$19,000/FY13-14/Employee Misclassification Education  
and Enforcement Fund  
\$39,800/FY13-14/General Fund  
\$61,600/FY14-15 and Subsequent Years/General Fund

**SUMMARY OF AMENDMENTS (004287, 007271):** Amendment 004287 deletes all language after the enacting clause. Authorizes up to five individuals per business in the construction services industry that do not qualify for the exemption to apply for the Workers' Compensation Exemption Registry, if the individual is a member of a religious sect or division. Requires the applicant to submit a copy of an approved Internal Revenue Service Form 4029 and an affidavit signed by the individual. Effective upon becoming law for purposes of promulgating rules and regulations. For all other purposes, the effective date is January 1, 2014. Amendment 007271 specifies that each individual employee applying for an exemption is required to pay the application fee.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

### **Increase State Revenue –**

**Exceeds \$7,300/FY13-14 and Every Two Years Thereafter/Employee  
Misclassification Education and Enforcement Fund**

### **Decrease State Revenue –**

**Exceeds \$200/FY13-14/TOSHA**

**Exceeds \$1,000/FY13-14/Second Injury Fund**

**Exceeds \$1,000/FY13-14/General Fund**

**Exceeds \$400/FY14-15 and Subsequent Years/TOSHA**

**Exceeds \$2,100/FY14-15 and Subsequent Years/Second Injury Fund**

**Exceeds \$2,100/ FY14-15 and Subsequent Years/General Fund**

### **Increase State Expenditures –**

**\$19,000/FY13-14/Employee Misclassification Education  
and Enforcement Fund**

Assumptions for the bill as amended:

- According to the Secretary of State, there will be a one-time increase in state expenditures of \$19,000 from the Employee Misclassification Education and Enforcement Fund (EMEEF) for computer programming (\$15,000) and business analyst/system testing (\$4,000) for the Tennessee BEAR system.
- The Department of Labor and Workforce Development (DLWD) expects Amish residents in Tennessee to apply for this exemption.
- According to DLWD, the Amish population in Tennessee is 1,948.
- At least 10 percent of the population (or 195) is currently working for employers that pay premiums for workers' compensation insurance.
- At least half of this group will meet the criteria to be approved for an exemption.
- A \$50 fee for applicants who are licensed contractors. A \$100 fee for applicants who are not licensed contractors. An average fee of \$75.
- The exemption registration is valid for a two-year period.
- A biennial increase in state revenue exceeding \$7,312 to the Employee Misclassification Education and Enforcement Fund  $[(195 \times 50\%) \times \$75 \text{ average fee}]$  beginning in FY13-14.
- According to DLWD, the average premium is \$1,052. Total premiums paid are estimated to exceed \$205,140  $(195 \times \$1,052)$ . Premiums paid for this group are estimated to be \$102,570  $(\$205,140 \times 50\%)$ .
- A 4.0 percent premium tax with 50 percent allocated to the Second Injury Fund and 50 percent allocated to the General Fund.
- A 0.4 percent surcharge on premiums paid to the Tennessee Occupational Safety and Health Act (TOSHA).

- A recurring decrease in state revenue exceeding \$2,051 ( $\$102,570 \times 4.0\% \times 50\%$ ) to the General Fund and a recurring decrease exceeding \$2,051 to the Second Injury Fund; both beginning in FY14-15.
- A recurring decrease in state revenue exceeding \$410 to TOSHA beginning in FY14-15 ( $\$102,570 \times 0.4\%$ ).
- These impacts will be 50 percent of the first full-year impact due to the effective date.
- A decrease in state revenue exceeding \$1,026 ( $\$2,051 \times 50\%$ ) to the General Fund and a decrease in state revenue exceeding \$1,026 to the Second Injury Fund; both occurring in FY13-14.
- A decrease in state revenue exceeding \$205 to TOSHA ( $\$410 \times 50\%$ ) in FY13-14.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jaw